

FAST FACTS

- ◆ Under the federal Equal Credit Opportunity Act (ECOA), it is against the law for a creditor to deny you credit or terminate existing credit simply because of your age.
- ◆ When you apply for credit, creditors who consider income must consider not only salary from a job, but also income from Social Security, pensions, and other retirement benefits.
- ◆ Under the ECOA, a creditor cannot automatically close or change the terms of a joint account solely because of the death of your spouse.
- ◆ If you are concerned about your credit status if your spouse should die, you may want to open an account in your own name.

Securing credit is as important for older consumers as it is for younger. Yet, older consumers and particularly older women may find they have special problems with credit.

For example, if you have paid with cash all your life, you may find it difficult to open a credit account, because you have "no credit history" (i.e., no history of how you paid for credit). If you now are living on a lower salary or pension, you may find it harder to obtain a loan because you have "insufficient income." Or, if your spouse dies, you may find that creditors try to close accounts that you and your spouse once shared.

Under the federal Equal Credit Opportunity Act (ECOA), it is against the law for a creditor to deny you credit or terminate existing credit simply because of your age. This brochure will help you learn what rights you have.

APPLYING FOR CREDIT

Applying for credit used to mean asking a neighborhood banker or tradesperson for a loan. Now, with national credit cards and computerized applications, the day of personal evaluations may be over. Instead, computer evaluations look at, among other things, your income, your past payment records, your credit cards, and your outstanding balances. Paying in cash and in full may be sound financial advice, but they will not give you a history on which to get credit.

When you apply for credit or a loan, one major indicator of your ability to repay is your current income. If you are retired or employed part-time, this may be of some concern. But creditors who consider income must consider types of income that are likely to be received by older Americans. These include not only salary from a job, but also from Social Security, pensions, and other retirement benefits.

In addition, you may want to inform creditors about other assets or sources of income, such as your home, other real estate, savings and checking accounts, money market funds, certificates of deposit, and stocks and bonds.

If you are 62 or over, you have certain other protections when you apply for credit. You cannot be denied credit because of your age or the fact that you cannot obtain credit-related insurance because of your age. Credit-related insurance pays off the creditor if you should die or become disabled.

However, a creditor can consider your age to:

- ◆ favor applicants who are 62 or over.
- ◆ determine other elements of creditworthiness. (For example, a creditor could use your age to see if your income might change because you are at the age of retirement.)

CHECKING YOUR CREDIT HISTORY

When you apply for credit, a creditor will often check your credit history by contacting a credit bureau. If you want to know what is in your credit file, contact the local credit bureaus that have your file. (Credit bureaus can be found in the Yellow Pages under headings such as "Credit" or "Credit Rating and Reporting Agencies.") They will tell you what information is in your file and may give you a copy of your credit report. Credit bureaus may charge a small fee for this (unless you have been denied credit based on your credit report).

You may find that your credit file does not list all of your credit accounts. This is because not all creditors report to credit bureaus. You can request, however, that additional accounts be reported to your file. Credit bureaus, though, may charge for this service.

If you move, request that the credit bureau in your new location transfer your credit file from your previous location. Most credit bureaus are willing to share this information.

Credit information about shared accounts should be reported in your name and in your spouse's. If it is not, you can write to the creditor and request that the account be reported in both names.

ESTABLISHING A CREDIT HISTORY

If you are denied a loan or credit card because you have no credit history, you may want to establish one. The best way to do this is to borrow money or use a credit card and make payments regularly. For example, you could apply for a small line of credit from your bank or for a credit card from a local department store. Local creditors that you know usually are more inclined to give you credit.

Of course, you will want to give these creditors your best financial references. And, make sure the creditor you open an account with reports your credit history to a credit bureau; not all do.

IF A SPOUSE SHOULD DIE

Under the ECOA, a creditor cannot automatically close or change the terms of a joint account solely because of the death of your spouse. (A "joint account" is one for which both spouses applied and signed the credit agreement.) In some instances though, a creditor may ask you to update your application or reapply. This can happen if the initial acceptance was based on all or part of your spouse's income and if the creditor has reason to suspect your income is inadequate to support the credit line.

After you submit a re-application, the creditor will determine whether to continue to extend you credit or change your credit limits. While your application is being reviewed, the creditor must let you use the account without new restrictions. Within 30 days of receiving a completed application, the creditor must give you a written response on your application. If your application is turned down, you must be given specific reasons for denial.

All these protections regarding closing or changing the terms of an account also apply when you retire, reach a certain age, or change your name or marital status.

KINDS OF ACCOUNTS

To ensure that you are protected if a spouse should die, it is important to know what kind of credit accounts you have. For example, there are three basic kinds of credit accounts. They are:

- ◆ **An individual account**, where the charge is opened in one person's name and is based only on that person's income and assets.
- ◆ **A joint account**, where the charge is opened in two people's names, often a husband and wife, and is based on the income and assets from both or either person, and where both people are contractually liable for any debts because they signed the credit application.

◆ **A user account**, where two people's name may appear on a charge card, but the account is based on the income and assets of just one of those people, who also is the only one legally responsible for any debts.

If you and your spouse share a credit account, only a joint account gives you the protections against closing the account should your spouse die; a user account does not. If you combine your own and your spouse's financial resources to apply for a credit account, make sure you are opening a joint account and not a user account, where your name simply appears on the credit card.

To find out what kind of account you have, check the application to see if you applied for credit as "joint applicants" or ask your creditor. That way, your credit status would be protected in the event of your spouse's death.

If you are concerned about your credit status if your spouse should die, you may want to try -- if you have enough income and assets on your own -- to open one or more individual accounts in your own name. In that way, your credit status would remain unaffected in the event of your spouse's death.

When you are applying for individual credit, you should ask the creditor to consider the credit history of accounts that are reported in your spouse's or former spouse's name only, as well as those that are in your name. The creditor must consider this information if you can show that it reflects on your ability to manage credit. For example, you may be able to show through cancelled checks that you made payments on an account, even though it is listed in your spouse's name only.

IF YOU ARE DENIED CREDIT

While the ECOA gives you certain rights, it does not guarantee that you will be granted credit. Creditors are the ones who make that decision. But if you are ever denied credit, first make sure you request the reasons for the denial. It may have been an error or the computer system may not have evaluated all relevant information. In that case, you can ask the creditor to reconsider.

You might be able to negotiate a compromise with the creditor. If, for example, at the age of 70, you apply for a 30-year mortgage, a lender might be concerned about your ability to repay the loan. However, if you applied for a 15-year mortgage, increased your downpayment, or did both, you might satisfy the creditor's concerns.

If you believe you have been discriminated against, however, you may want to write to the federal agency that regulates that particular creditor. You should be able to find the name and address of this federal agency in the letter turning down your request for credit.

If you do write, try to include all the facts -- including any oral statements or discussions. Keep copies of all documents and submit this information along with a letter of explanation to the appropriate federal agency or, if you wish, to an attorney. You have the right to sue a creditor who violates the ECOA.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit Ratings Affect Your Cost of Credit
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s -- What is it?
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



CREDIT & OLDER CONSUMERS



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